Deloitte 2022 CxO Sustainability Report

The disconnect between ambition and impact

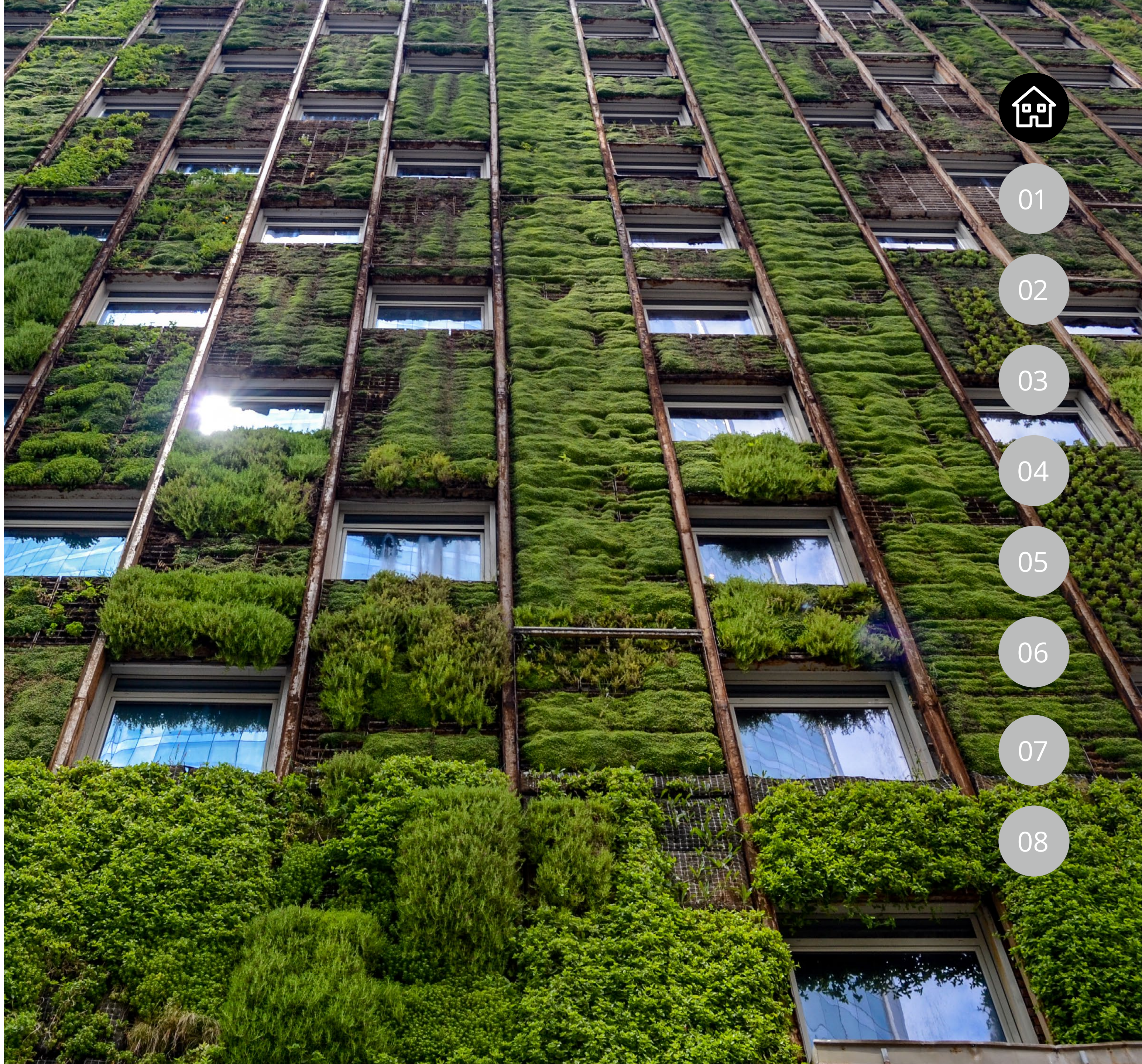
Germany

Deloitte.

Global summary

CxOs' apprehensions about the planet's climate have increased over the last several months, as has their optimism that immediate action can make a difference. But there are multiple disconnects between these business leaders' opinions and motivations, the actions their organizations are taking, and the impact they're having, according to Deloitte's survey of over 2,000 CxOs across 21 countries.

The following deck examines how Germany's executives stand out from their global counterparts on key themes.



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Key global findings

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Approximately two-thirds of executives say their companies are very concerned about climate change and 79 percent see the world at a tipping point to act—a number that was 59 percent in a similar Deloitte survey taken in early 2021. Their concern is influenced by the impact climate change is already having:

- Almost all respondents (97%) indicated their companies have already been negatively impacted by climate change, and about half said their operations have been affected (e.g., disruption to business models and supply networks worldwide).
- Eighty percent of CxOs have been personally impacted by a climate event (e.g., extreme heat, worsening storms, wildfires) over the last 12 months.
- Additionally, stakeholder groups—including regulators, shareholders, consumers, and employees—are all adding to the pressure to act.

Yet, there is a prevailing sense of optimism: 88 percent agreed that with immediate action, we can limit the worst impacts of climate change. That figure was 63 percent eight months ago.

Key global findings

Business leaders who said they've taken at least four of the five most substantive sustainability actions serve as a model for tackling sustainability with efficiency and effectiveness, while reaping the benefits in return. Those actions are:

Developing new, climate-friendly products or services

Requiring suppliers and business partners to meet specific sustainability criteria

Updating or relocating facilities to make them more resistant to climate impacts

Incorporating climate considerations into lobbying and political donations

Tying senior leader compensation to sustainability performance

Disconnects exist between ambitions, actions, and impacts

While companies are acting, they are less likely to implement actions that demonstrate they have embedded climate considerations into their culture and have the senior leader buy-in and influence to effect meaningful transformation.

Additionally, CxOs continue to struggle with the short-term costs of transitioning to aV low carbon future. The five lowest-ranked benefits of climate strategies cited by CxOs were: revenue from both longstanding and new business, asset values, cost of investment, and operating margins.

Our report further explores the disconnect between ambition and action, as well as steps CxOs can take to start to bridge the gap.

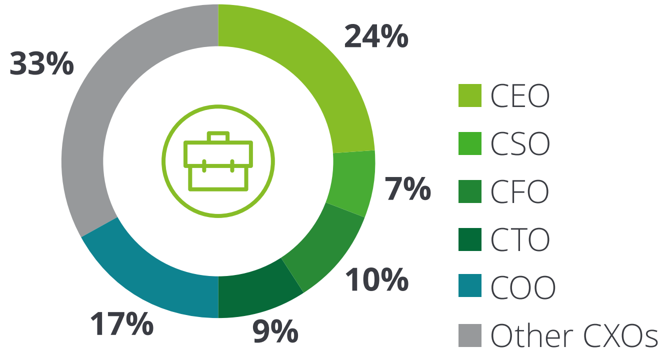
01. Germany country profile

We surveyed 105 executives in Germany.

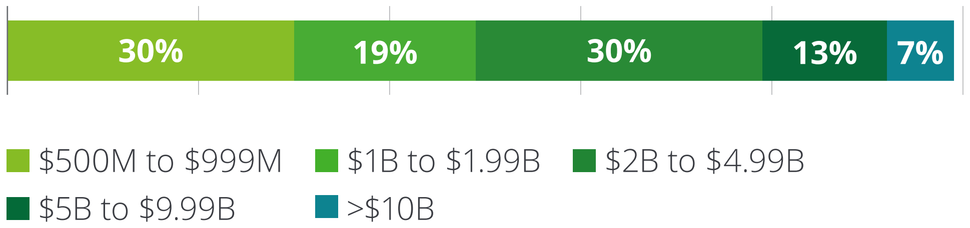
Fig. 1 – Germany Business Profile

Number of Employees

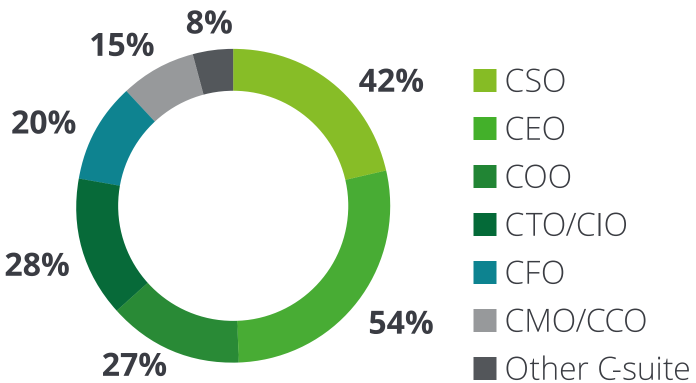
- <5K: 39%
- 5K to 9,999: 24%
- 10K to 19,999: 15%
- 20K to 49,999: 15%
- >50K: 7%



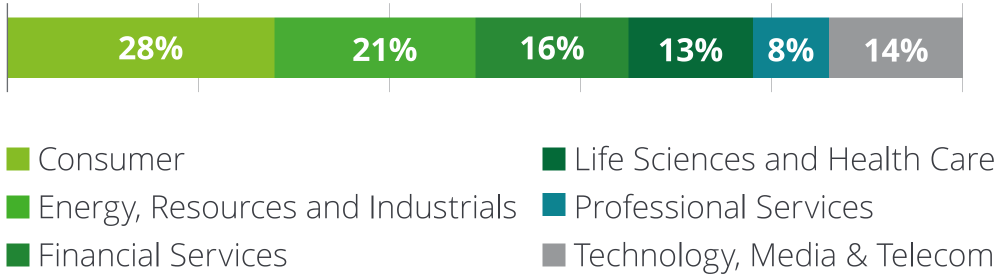
Revenue (USD)



Position(s) at your company responsible for climate goals



Industry



02. Most executives believe the world is at a tipping point for responding to climate change

- Like global executives, concern about climate change has increased over the past few months for German CxOs: 77 percent of German executives today see the world at a tipping point for responding to climate change compared to just 52 percent eight months ago. Despite the gravity of the moment, there is a prevailing sense of optimism as 76 percent currently (compared to 52 percent eight months ago) agree that with immediate action, we can limit the worst impacts of climate change.
- Compared to global CxOs, German CxOs are less likely to have been personally impacted by climate events in some way over the past year (one of the lowest scores from any country). However, they cite extreme heat, severe flooding, and more frequent and powerful storms as the top impacts they've felt.

02. Most executives believe the world is at a tipping point for responding to climate change

Fig. 2 – To what extent do you agree or disagree with the following statements related to the environment?

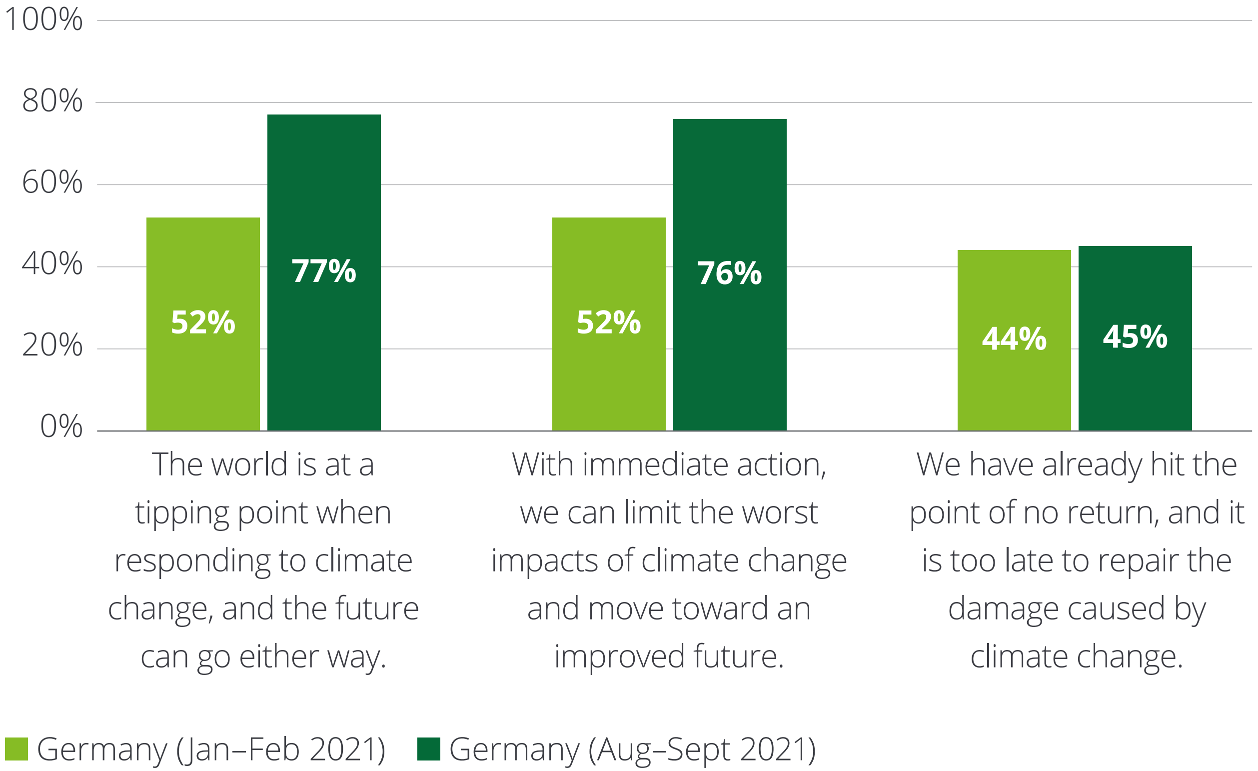
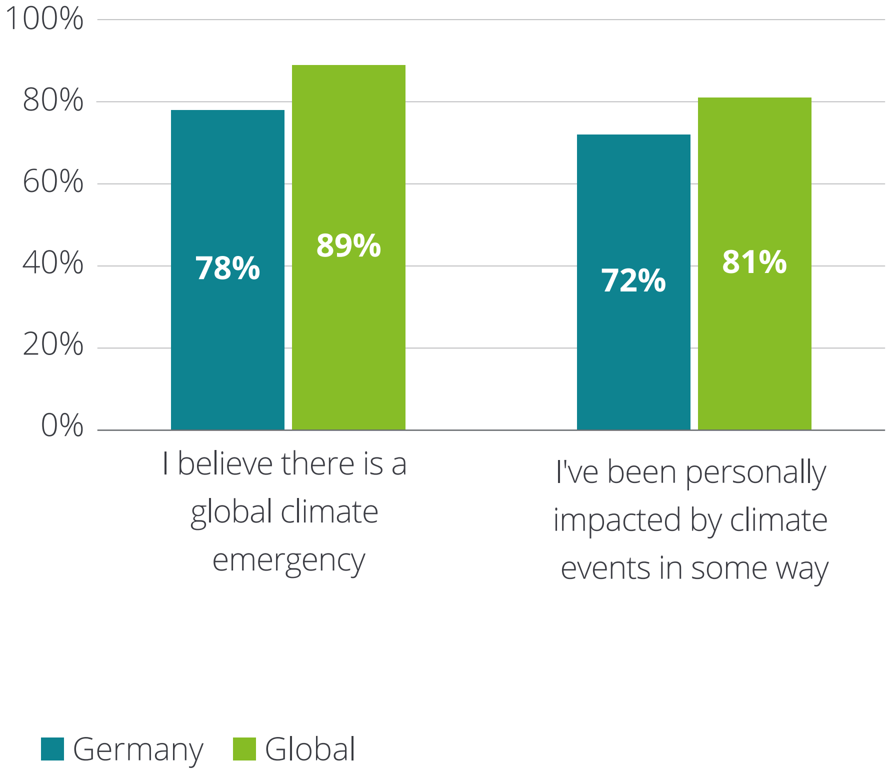
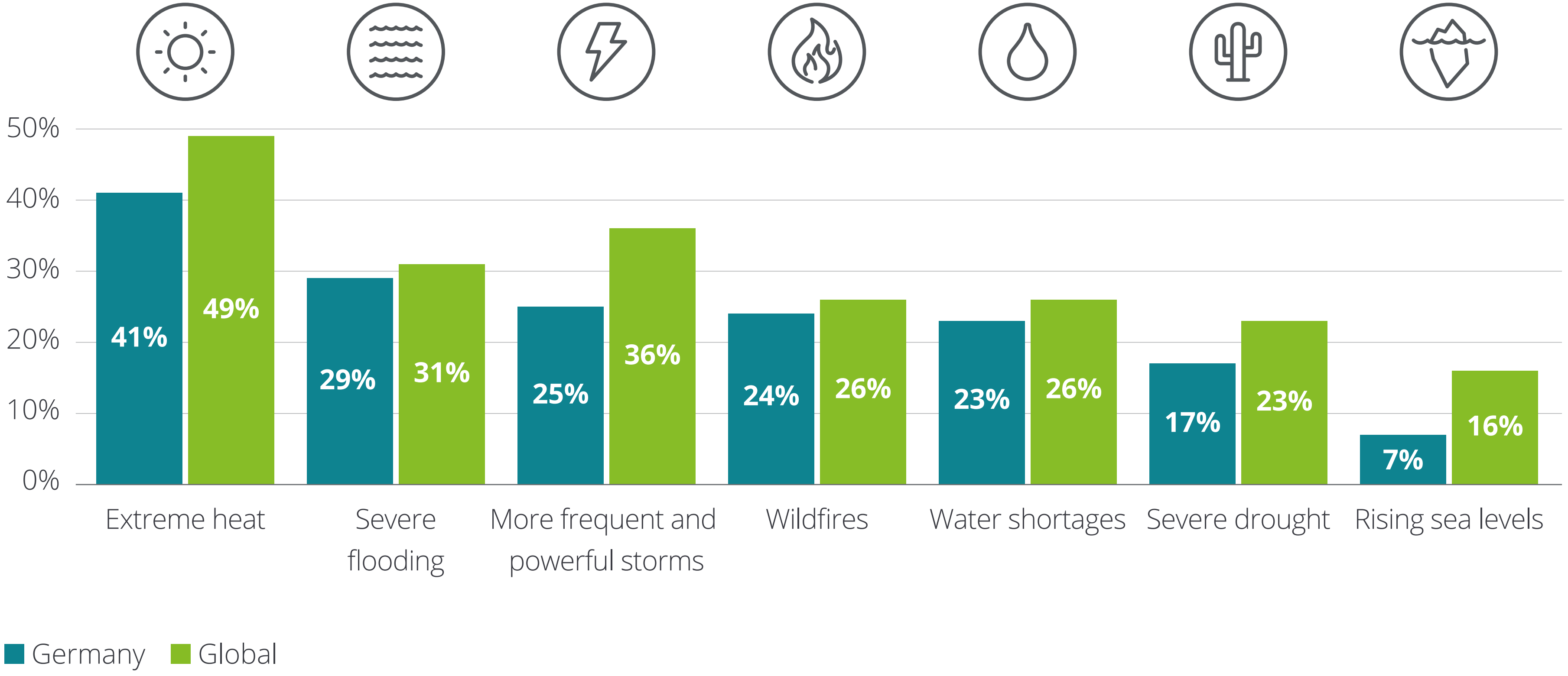


Fig. 3 – To what extent do you agree or disagree with the following statements related to the environment?



02. Most executives believe the world is at a tipping point for responding to climate change

Fig. 4 – Have you been personally impacted by any of the following in the last twelve months? (select all that apply)



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03. Respondents express concern and say their companies have been affected by climate change

- German CxOs indicate their companies are equally concerned about climate change compared to the global average, and 50 percent of German CxOs are highly focused on incorporating climate into their strategies and operations over the next three years.
- German companies are more likely than global companies to feel the regulatory impacts from climate change, pressure from civil society, cost of mitigation, pressure from society, and resource scarcity.

Fig. 5 – How concerned is your organization about climate change?

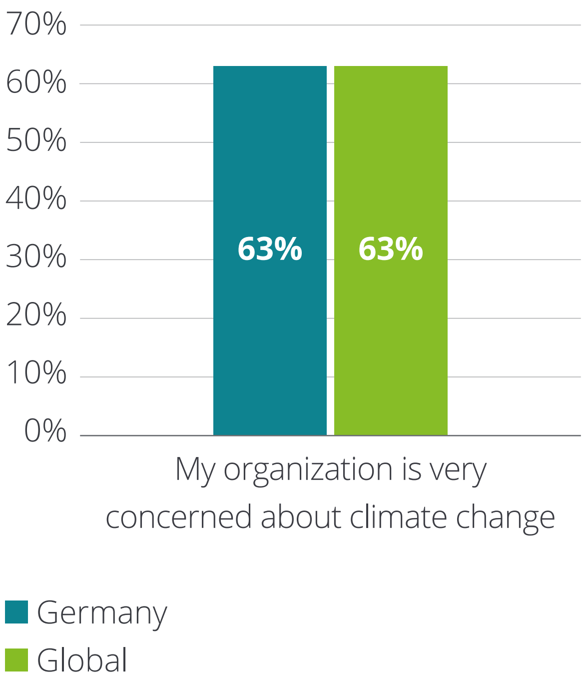
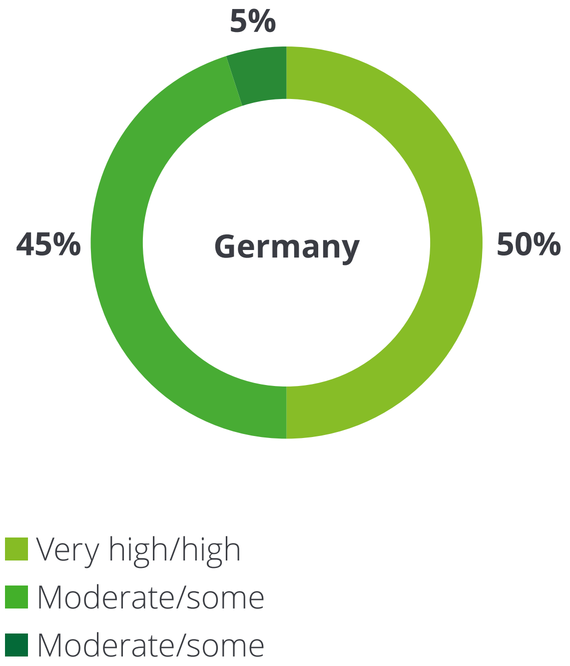
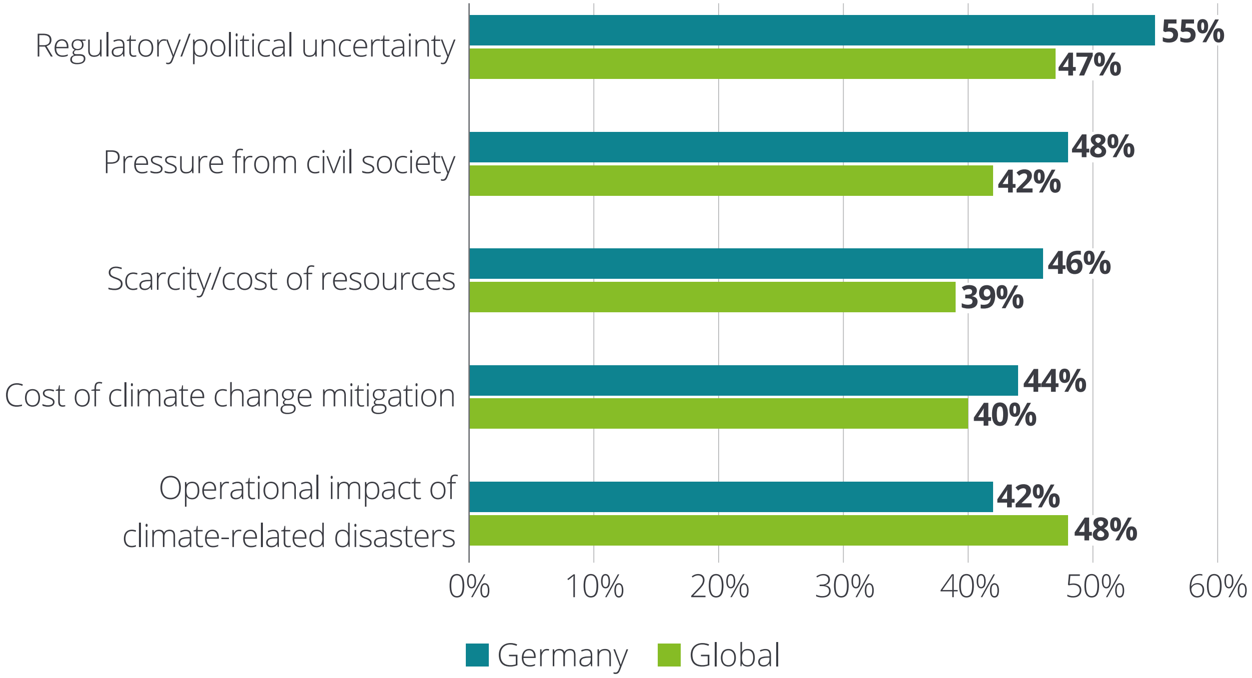


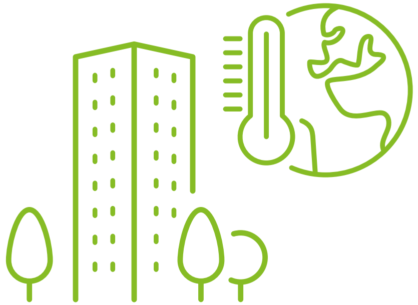
Fig. 6 – To what degree do you expect climate change to impact your company's strategy and operations over the next three years?



03. Respondents express concern and say their companies have been affected by climate change

Fig. 7 – What are the top climate change issues already impacting your business? (select all that apply)



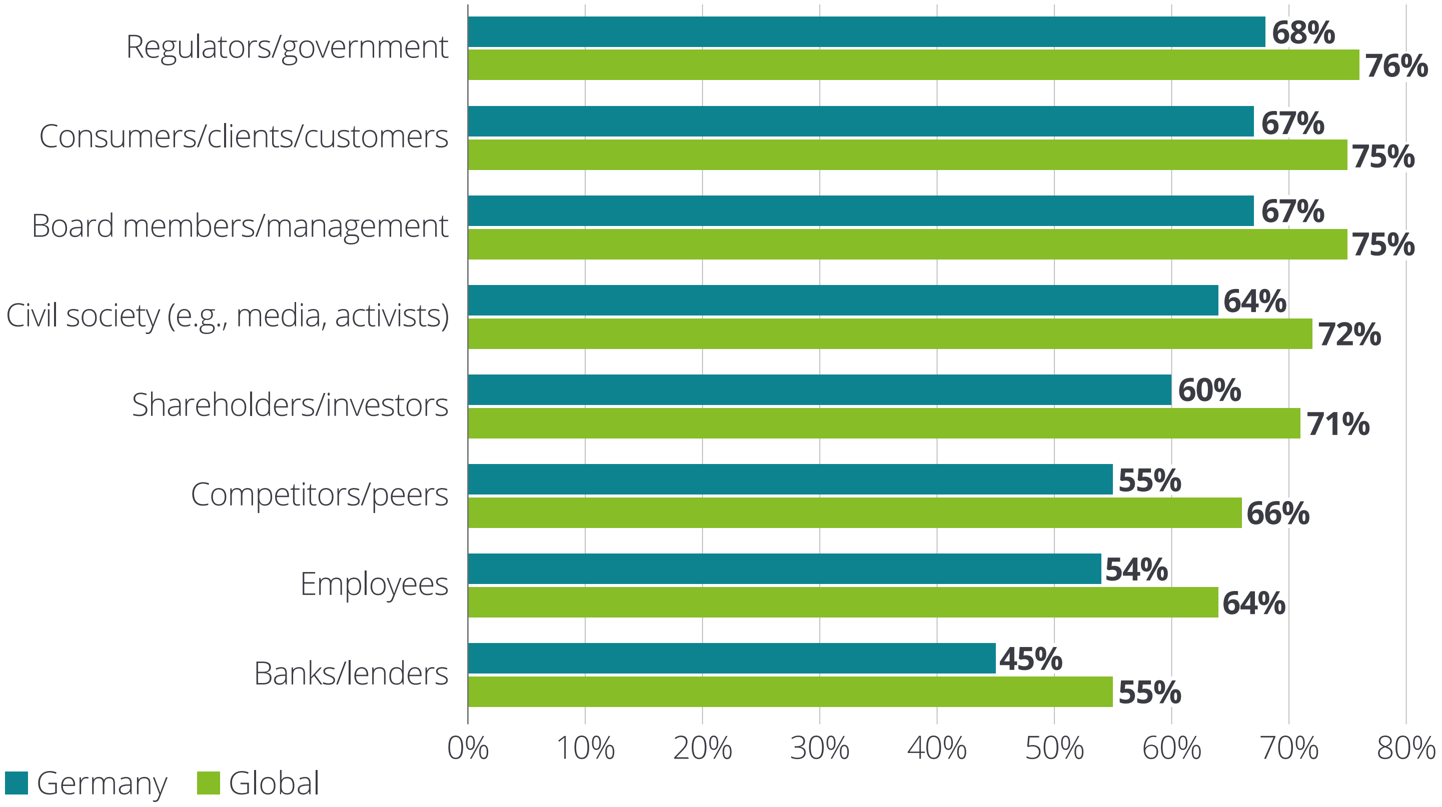


97% of German respondents who say their company has already been impacted by climate change (compared to 97% globally)

04. Stakeholders are pressuring companies to act; CxOs believe government also shares responsibility

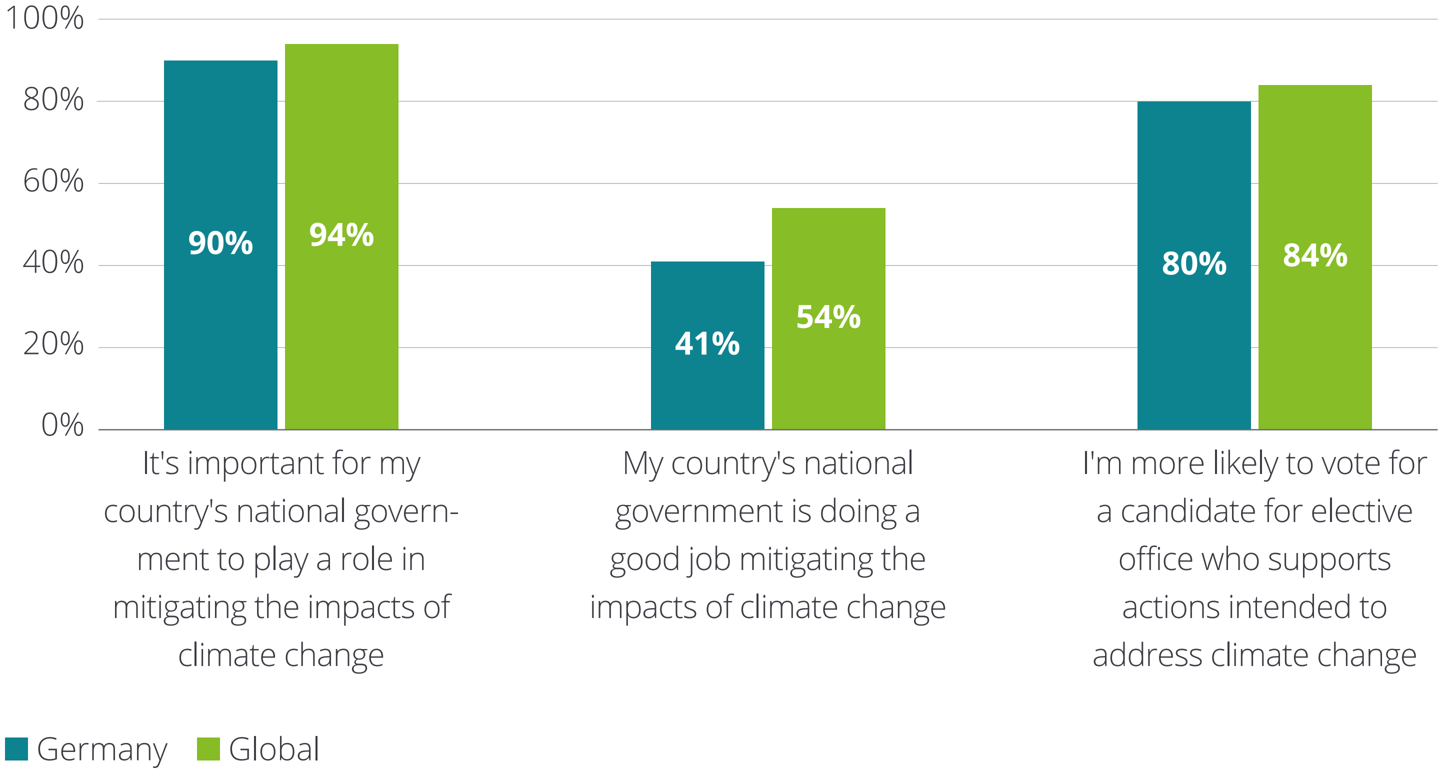
- German companies are feeling less pressure to act on climate from all of their stakeholders than the global average, citing regulators/government and consumers/clients as their top forces of pressure.
- They also are less likely to think their country's national government is doing a good job mitigating the impacts of climate change compared to the global average.

Fig. 8 – To what extent does your company feel pressure (to a large/moderate extent)to act on climate change from your stakeholders? (select all that apply)



04. Stakeholders are pressuring companies to act; CxOs believe government also shares responsibility

Fig. 9 – % agree/strongly agree with the following statements related to government's role in mitigating climate change



05. At a global level, there are disconnects between CxOs' ambitions and the actions their companies are taking

- Other than developing new climate-friendly products or services, German companies are less likely to be implementing the tougher actions defined by Deloitte's analysis.
- In some cases (such as tying senior leaders' compensation to sustainability and updating/ relocating facilities) they are lagging the global average by 9 percent or more.

05. At a global level, there are disconnects between CxOs' ambitions and the actions their companies are taking

Fig. 10 – Which of the following actions/adaptations has your company already undertaken as part of its sustainability efforts? (select all that apply of up to 15 actions)

Top actions taken

73%
Increasing the efficiency of energy use
Global = 66%

71%
Using more sustainable materials (e.g., recycled materials, lower emitting products)
Global = 67%

66%
Use energy-efficient or climate-friendly machinery, technologies, and equipment
Global = 57%

60%
Reducing the amount of air travel post-pandemic
Global = 55%

Harder to implement, needle-moving actions*

52%
Developing new climate-friendly products or services
Global = 49%

40%
Requiring suppliers and business partners to meet specific sustainability criteria
Global = 46%

30%
Updating/relocating facilities to make them more resistant to climate impacts
Global = 44%

35%
Incorporating climate considerations into lobbying/ political donations
Global = 40%

28%
Tying senior leaders' compensation to sustainability performance
Global = 37%

06. Benefits of climate strategy and obstacles that impede impact

- German CxOs listed brand recognition and reputation, addressing climate change, and customer satisfaction as the top three benefits of their climate efforts. The bottom three were all financial—revenue from new businesses, operating margins, and revenue from longstanding businesses—perhaps suggesting CxOs continue to struggle with the short-term costs of transitioning to a low carbon future.
- German CxOs were more likely to cite difficulty measuring environmental impact (compared to the global average) as an obstacle to sustainability efforts.

07. At a global level, there are disconnects between CxOs' ambitions and the actions their companies are taking

Fig. 11 – I strongly believe my company's current sustainability efforts have/will have a positive impact on the following (select all that apply)

Top five benefits selected

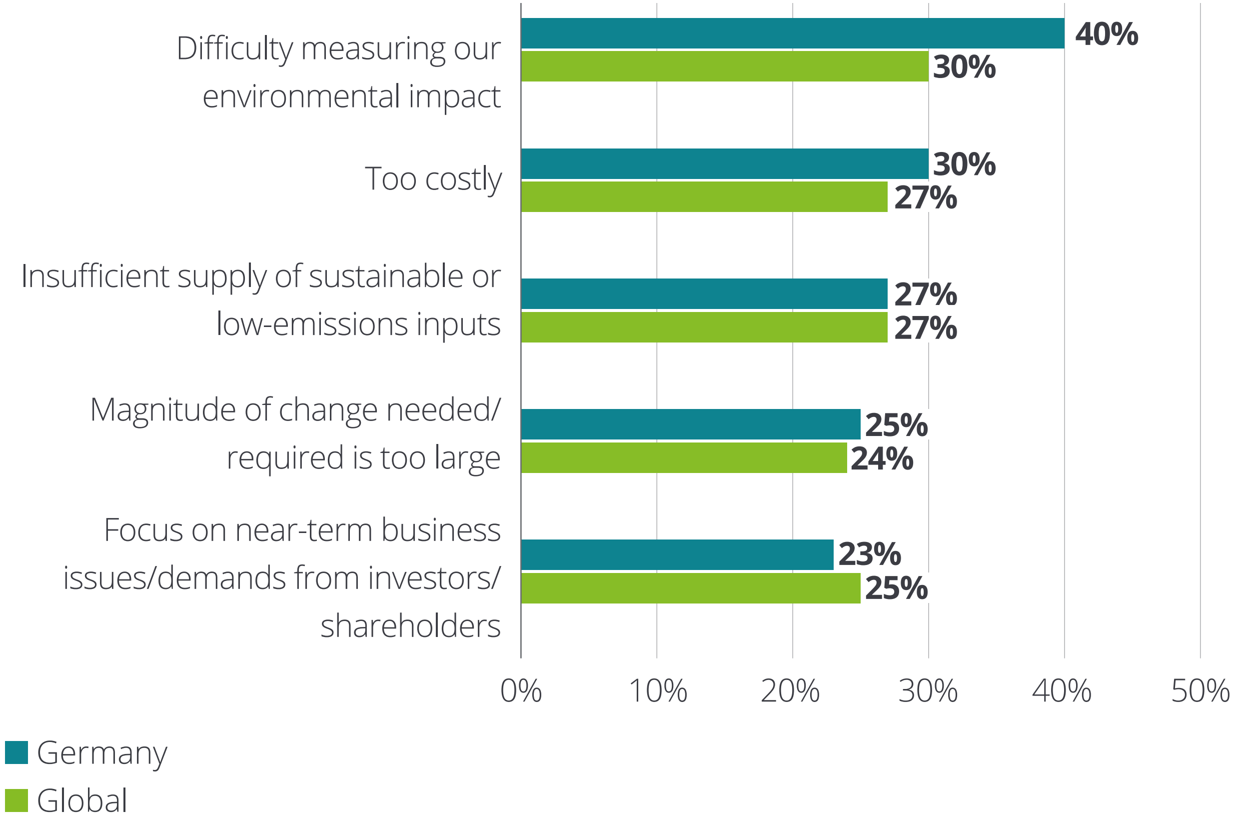
42%	42%	40%	39%	31%
Brand recognition and reputation	Addressing climate change	Customer satisfaction (e.g., meeting client expectations)	Employee morale and well-being	Employee recruit-ment and retention
Global = 49%	Global = 43%	Global = 46%	Global = 42%	Global = 35%

Bottom five

26%	25%	23%	22%	20%
Investor returns and/or satisfaction	Cost of investment	Revenue from new businesses	Operating margins	Revenue from longstanding businesses
Global = 34%	Global = 30%	Global = 32%	Global = 430%	Global = 28%

07. At a global level, there are disconnects between CxOs' ambitions and the actions their companies are taking

Fig. 12 – Top five obstacles to driving sustainability efforts (Select top 2)



08. Actions and characteristics that set climate leaders apart

- The survey revealed a group of leading organizations—comprised of 19 percent of global CxOs—who have implemented at least 4 out of 5 of the “needle-moving” sustainability actions listed on slide 2. In Germany, 15 percent of respondents are climate leaders.
- On the other hand, those organization who had only implemented one or zero of these leadership actions—35 percent of the global and 44 percent of German organizations–have catching up to do.
- The benefits of being a climate leader rather than a lagging organization are clear, and they are evident in nearly every part of our survey.

Fig. 13 – Leaders are more concerned*

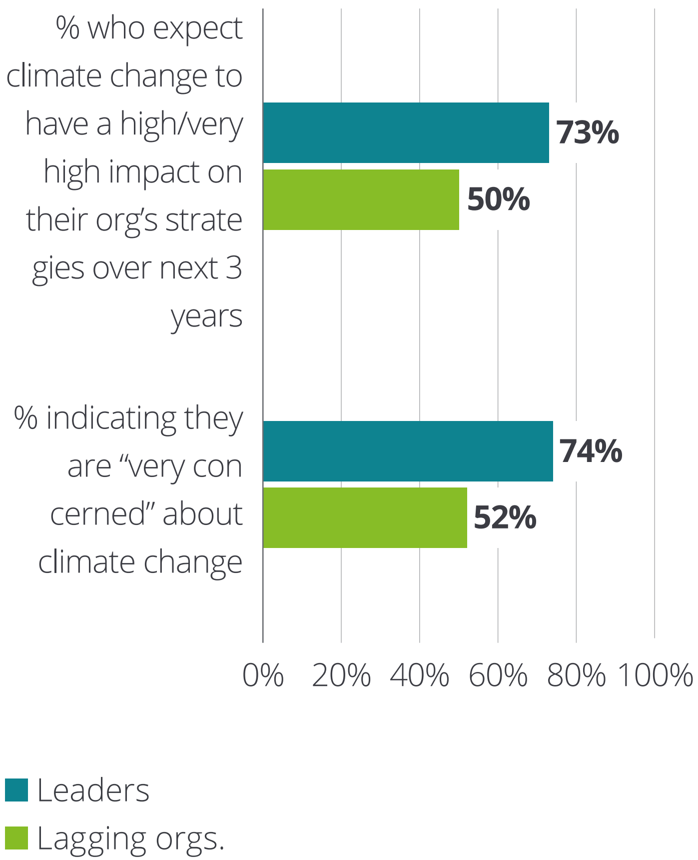
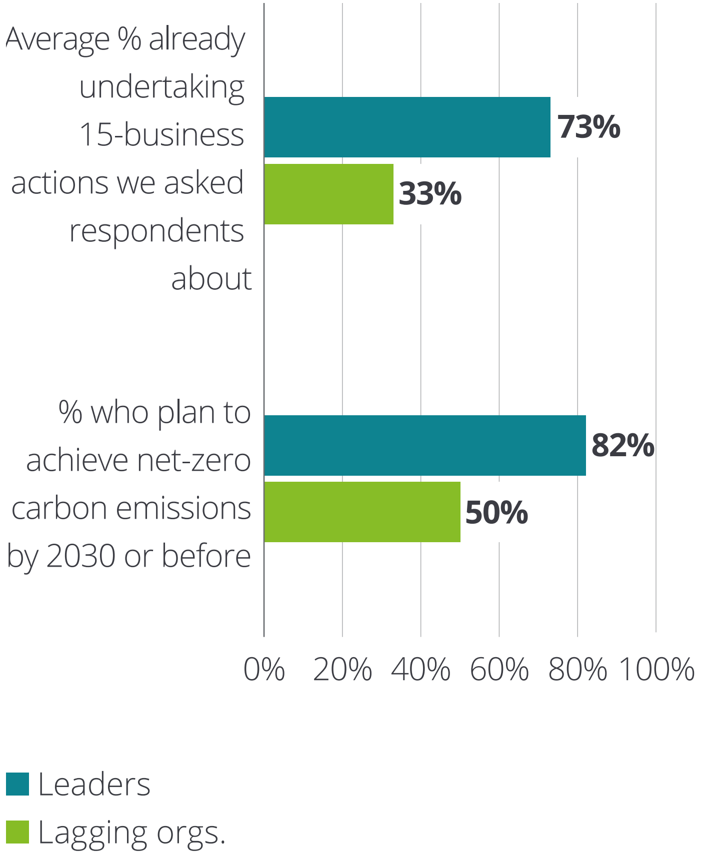


Fig. 14 – Leaders are more active*



*Note: Graphs on this page represent Global data, not country-level data. Country-level data for leading and lagging organizations would be too small of a number to be statistically accurate.

08. Actions and characteristics that set climate leaders apart

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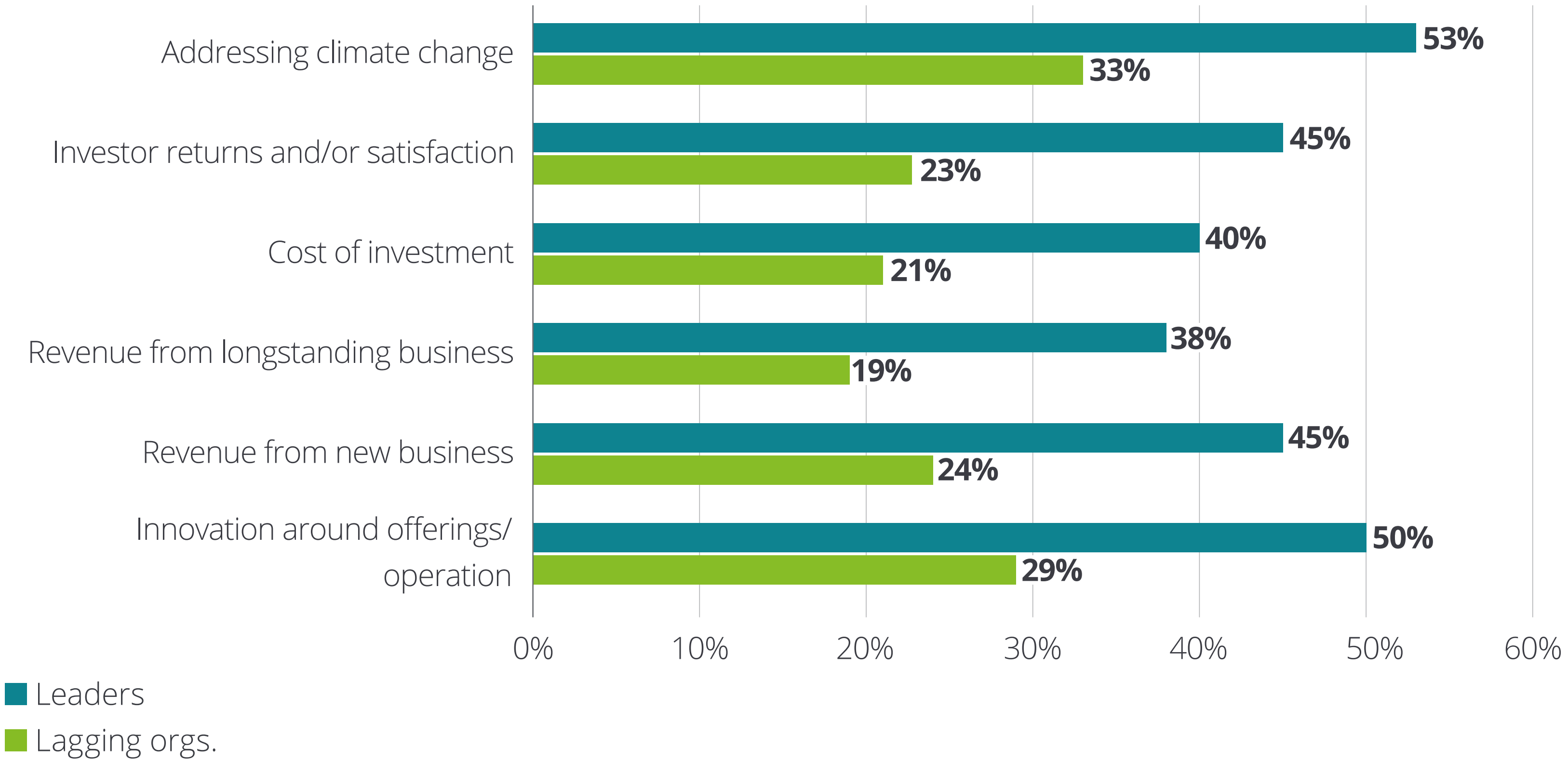
Fig. 15 – Leaders see greater benefits to their climate strategy*

I believe my company's current environmental sustainability efforts have/will have a positive impact on...



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